

### MICROSOFT RULES THE ASIAN WAVES

The Stock Exchange of Hongkong Ltd was closed last Monday for Easter Monday so trading in Asia was somewhat quiet.

The stock exchange of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) is, normally, the leader for Asian bourses, setting the pace for others to follow.

While the HKSAR Government does not hold with the Christian ethic, in the main, when it comes time to take stock of a religious holiday -- anybody's religious holiday -- especially when it means not having to go to work, the power of religion suddenly transforms the 7 million human population of the HKSAR into would-be zealots.

So, last Monday, investors' eyes were focused on Japan where the Nikkei-225 rose 227.47 yen to 18,480.15 yen in spite of a shock announcement from the mobile telephone retailer and Internet investor, the Hikari Tsushin Group.

Hikari Tsushin, a subsidiary of which is listed on The Stock Exchange of Hongkong Ltd under the name of Hikari Tsushin International Ltd, announced last Monday that it had posted an Operating Loss for the first half of this Financial Year, to February 29, of about 12.99 billion yen (about \$HK956.94 million).

This compared with an Operating Profit of about 162 million yen (about \$HK12 million) for the like 1999 Interim.

For the full Year, to August 31, Management of Hikari Tsushin said that it anticipated an Operating Loss of about 11.60 billion yen (about \$HK860.16 million) in spite of forecasting, late last year, a Net Profit of about 8 billion yen (about \$HK592.76 million).

Hikari Tsushin was once one of the '*darlings*' of The Tokyo Stock Exchange and was, in terms of market capitalisation, in the Number 10 Slot.

Today, its share price has fallen to about 10 percent of its former glory -- and it lost another 9 percent of its market capitalisation, last Monday, falling to 19,800 yen (it would have fallen further but a 2,000-yen markdown is daily limit for this stock).

The Tokyo stock market had no guideline for direction, last Monday, because Wall Street was still asleep when Tokyo was doing business.

As such, many Japanese investors preferred to wait in order to see which way the winds of fortune would blow in the largest economy in the world -- especially after the shock announcement from Hikari Tsushin.

The ratio of gainers to losers was about 1.60:One.

While nearly every major Japanese investor looked to Hikari Tsushin for their problems, Softbank Corporation was on the move, with this Internet investor's share price, rising daily limit 5,000 yen to 57,300 yen.

Another gainer was Fuji Television Network Corporation, the share price of which gained about 7.19 percent to rise to 1.79 million yen.

Sony Corporation went along with the ride, with its share price, putting on about 3 percent to hit 12,700 yen.

With no fresh incentives to chart the direction of the stock market, and with The New York Stock Exchange still asleep, most other Asian markets marked time:

Thailand	Minus 0.02 percent
Indonesia	Plus 0.85 percent
Malaysia	Minus 1.23 percent
The Philippines	Plus 0.03 percent
South Korea	Minus 2.55 percent
Singapore	Minus 1.47 percent
Taiwan	Minus 3.43 percent
Japan	Plus 1.25 percent

## **Tuesday.**

The world's stock market took a battering, last Tuesday, following an unconfirmed report that the largest software producer in the world was likely to be broken up, its constituent parts, scattered to the corporate winds.

Microsoft Corporation, still widely accepted as the most important software maker in the world, was mum about the suggestion -- but Wall Street was not waiting for a confirmation or a denial from Microsoft's Management.

The NASDAQ Composite Index fell as much as 8.20 percent in early trading on The New York Stock Exchange, but short-covering, and speculative buying by bargain-hunters, lifted the NASDAQ so that, at the close, it was off just 4.41 percent to 3,482.38.

This was the tenth largest, single day's fall in the history of the NASDAQ.

The Dow Jones Industrial Average came into its own, again, following the fall from favour of the NASDAQ, rising 62.05 points, or about 0.57 percent, to 10,906.10 as US investors went for solid *'bread-and-butter'* stocks.

The share price of Microsoft gave up about 16 percent of market capitalisation, at one point in trading in New York.

The Hongkong Special Administrative Region, like other bourses around the world, could not stomach such a loss in the share price of the world's Number One computer software maker -- and so it, along with many Asian stock markets, had a tough time on the first day of trading, last week.

At the end of the session, the Hang Seng Index was registering a gain of 12.87 points, coming to rest at 15,380.01 on a Total Turnover of about \$HK7 billion.

The lowish Total Turnover was but a small indication of investors' sentiment since they were not quite sure what to make of the events on Wall Street: It had never happened before.

In spite of the fact that The Index was in positive territory, losers outpaced gainer by the ratio of 1.50:One.

The relatively dull stock market conditions saw share prices, in the main, stay close to the previous week's closing levels, but exceptions included Hutchison Whampoa Ltd, the share price of which shed about 2.27 percent to close at \$HK107.50, and Pacific Century CyberWorks Ltd, which witnessed a further erosion of about 3.60 percent as its share price headed south to hit \$HK13.30.

The Ten Most Active issues accounted for about 54.43 percent of the Total Turnover.

On The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, it was a completely different story, however.

The GEM suffered at the hands of speculators as its Growth Enterprise Index was felled to the extent of about 4.58 percent, coming to end the session at 577.14 points.

The Total Turnover shrank to a pittance of \$HK139.06 million, as hi-tech and Internet-related stocks took it on the head.

The share price of tom.com Ltd fell to \$HK5.80, down from an intra-day high of \$HK6.35, about 8.66 percent, and Sunevision Holdings Ltd shed about 3.45 percent of its market capitalisation, falling to \$HK9.80 per share.

The Ten Most Active GEM issues accounted for about 93 percent of the Total Turnover, with trading in the shares of tom.com and Sunevision, being responsible for about 56 percent of the volume of activity on this relatively new HKSAR experiment of a stock market, dedicated to listing only high-risk companies.

The ratio of losers to gainers was 17:3.

In The Land of the Rising Sun, The Tokyo Stock Exchange took stock of Wall Street and shed most of Monday's gains.

The Nikkei-225 fell 207.82 yen to 18,272.33 yen in direct response to the NASDAQ's performance, with Japanese investors, seemingly very concerned that there appeared to be no bottom to NASDAQ's fall.

While everybody, eating sushi, was concerned about Wall Street, Management of Softbank Corporation must have been pleasantly surprised to learn that its share price had risen daily limit of 10.47 percent.

Not so for Hikari Tsushin, however, with its Management, noting that the share price of this Internet-related and mobile telephone vendor was down daily limit 2,000 yen, at 17,800 yen -- ask-only if you please.

With the exception of the antics of Wall Street, there was little to recommend the Asian stock markets:

Thailand	Plus 0.37 percent
Indonesia	Minus 2.22 percent
Malaysia	Plus 0.57 percent
The Philippines	Minus 1.02 percent
South Korea	Minus 1.39 percent
Singapore	Plus 0.84 percent
Taiwan	Plus 1.28 percent
Japan	Minus 1.12 percent

### **Wednesday**

The Number Two son of Hongkong mogul Li Ka Shing was on the firing line, last Wednesday, as speculation mounted as to whether or not Mr Richard Li's Pacific Century CyberWorks Ltd would, ultimately, fail in its bid to land the big fish, Cable and Wireless HKT Ltd.

This is in spite of the Chief Executive of Cable and Wireless HKT, Mr Linus Cheung, coming out in favour of Pacific Century CyberWorks's \$HK296-billion offer to take over his company -- even before shareholders of Cable and Wireless HKT had been consulted and voted on the matter.

It was reported, widely, that Australian giant, News Corporation, and Singapore Telecommunications Ltd (SingTel) were jointly hatching a deal, aimed at skyjacking Pacific Century CyberWorks's bid for the largest telephone operator in the Hongkong Special Administrative Region.

Since February, when Pacific Century CyberWorks had put in its oar for Cable and Wireless HKT, the value of its offer had slumped by about \$HK93 billion, that erosion in the value of the offer, having come about due to the component mix of cash and shares in Pacific Century CyberWorks, the latter's price, having fallen from more than \$HK20 per share to yesterday's stock-market quote of about \$HK13 a share.\_

While Mr Richard Li Tzar Kai is backed by dad and The Bank of China Group, SingTel is backed by a powerful foe in the shape of Brigadier Lee Hsien Yang, the Number One Son of the founder of modern Singapore, Mr Lee Kuan Yew.

A Number One Son is, in Asian terms, always ahead of the Number Two Son -- anybody's Number Two Son.

In addition, it is thought that Senior Minister Lee Kuan Yew has as much, if not more money at his disposal, than Mr Li Ka Shing, should push come to shove: There is always the Singapore Government, standing in the background.

In such an atmosphere of a stock-market '*darling*', falling from grace, many investors in the HKSAR sold their Pacific Century CyberWorks's shares, resulting in the counter, being the most-active of the Top Ten.

At the end of the day, Pacific Century CyberWorks had been talked down to \$HK12.95, a loss of about 3.36 percent, compared with Tuesday's closing level.

Cable and Wireless HKT's share price, on the other hand, went in the reverse direction to its suitor, gaining about 4.39 percent to \$HK17.85. It was the fifth Most Active issue.

The Hang Seng Index appeared to pay little to no attention to what was taking place in New York, last Tuesday (New York time), in spite of the Dow Jones Industrial Average, rising 218.72 points to rise to 11,124.82, a gain of about 2 percent, while the NASDAQ rallied, recovering 228.75 points, or about 6.57 percent, to hit 3,711.23, compared with Monday's levels.

The Hang Seng Index shed 152.62 points, just about one percent, falling to 15,227.39, on a Total Turnover of about \$HK8.03 billion.

The Ten Most Active issues accounted for about 47.20 percent of the total volume of activity.

There was some talk about renewed tension between the Taiwan Government and the Government of the People's Republic of China, but that was old hat, and hardly the real reason for any weakness in the Hang Seng Index.

Substantial losers in last Wednesday's stock market included Henderson Land Company Ltd, whose share price was marked down 4.42 percent to \$HK34.60, Cheung Kong (Holdings) Ltd, off another 1.16 percent to \$HK85.50, and China Telecom (Hongkong) Ltd, off 3.54 percent to \$HK54.50.

The ratio of losers to gainers was 1.53:One.

On The GEM, The Growth Enterprise Market, The Growth Enterprise Index hardly moved, ending the session at 576.52, just 0.62 points lower than Tuesday's close.

The Total Turnover on this Market was about \$HK138.87 million, slightly lower than the \$HK139 million, recorded on Tuesday.

The Top Ten Most Active issues, led by tom.com Ltd and Sunevision Holdings Ltd, accounted for about 73.87 percent of the volume of activity.

Declining issues were ahead of advancing issues by the ratio of exactly 2:One.

In other news in the HKSAR, it was reported that The Bank of East Asia Ltd had attracted a further 40,000 customers, a direct result of its new cyber-banking operation.

The bank announced that it, now, has not less than 100,000, on-line banking customers.

A perfect example of a company, sticking to its knitting.

In Tokyo, Japanese investors, also, disregarded what was happening in New York, with the Nikkei-225, shedding 138.02 yen to hit 18,134.31 yen.

Losers were ahead of gainers by the ratio of about 1.28:One on this market.

There was little interest in this market, with many Japanese observers said to be concerned about the prospects for higher interest rates in the not-too-distant future when the US Federal Reserve determines to hike up US interest rates in order to apply financial thumbscrews on the US economy.

There was, also, said to be some concern over the Taiwan Ministry of Defense announcement of increased training for bomber and jet fighter crews and increased PRC naval activity in the Taiwan Strait.

What happens between the PRC Government and the Taiwan Government will, naturally, impact on Japan, as well as other parts of Southeast Asia.

This is the way that things came to a halt last Wednesday on other Asian stock markets:

Thailand	Minus 0.48 percent
Indonesia	Plus 0.97 percent
Malaysia	Plus 0.68 percent
The Philippines	Minus 0.47 percent
South Korea	Minus 3.25 percent
Singapore	Plus 2.20 percent
Taiwan	Minus 4.32 percent
Japan	Minus 0.76 percent

### **Thursday**

To say that the stock markets of the Hongkong Special Administrative Region (HKSAR) were quiet, last Thursday, would be the understatement of the century because the aggregate Total Turnovers of the 2 exchanges, the Main Board and The Growth Enterprise Market, The GEM, amounted to just \$HK7.14 billion.

It was only a couple of months ago that the Total Turnover on the Main Board, alone, was in excess of \$HK36 billion.

The Hang Seng Index shed just 35.52 points, about one fifth of one percent, while The GEM's Growth Enterprise Index rose about 4.11 percent to 600.21.

The Total Turnover on the Main Board was the lowest recorded volume of activity since November 1999.

The excuse for the quietness in HKSAR stock and share trading was said to be due to the expected release of economic data in the US, the world's most important economy, after Asia had gone to bed.

That was rubbish, of course, because the real reason was that Asia was uncertain as to which way the winds of change would blow in the US -- and what happens in the US impacts of Asia, directly.

After Asia did go to bed, so to speak, it was announced in New York that March orders for durable goods in the US, produced by US manufacturers, rose for the first time in the past 3 months.

The US Government's Commerce Department stated that orders for durable goods, ovens and computers and so-called, long-lasting goods, rose 2.60 percent.

This was the first monthly gain since last December, the Commerce Department pointed out.

This appears to indicate that it is more than likely that the US Federal Reserve will have even more ammunition in its arsenal of weaponry in order to justify further interest-rate increases.

The Fed is expected to meet again on May 16.

On the Main Board of The Stock Exchange of Hongkong Ltd, declining issues outpaced advancing ones by the ratio of 1.28:One.

The Top Ten Most Active issues accounted for about 55.67 percent of the Total Turnover of about \$HK6.97 billion.

China Telecom (Hongkong) Ltd was the most active counter, with its share price, hitting a low of \$HK51.75, but finishing the session at \$HK52.50, a midway point in the intra-day swing of about 2.52 percent. The last price represented a loss of about 3.36 percent, compared with Wednesday's closing price.

During the session, Mr Richard Li Tzar Kai, the Number Two Son of mogul Li Ka Shing, talking from London, England, came out with an announcement which, in essence, stated the his company's bid for control of Cable and Wireless HKT Ltd would not be derailed by the likes of Rupert Murdoch's Australian News Corporation, working in conjunction with Brigadier Lee Hsien Yang's Singapore Telecommunications Ltd (SingTel).

Pacific Century CyberWorks Ltd, less than one year old and trying hard to create tsunamis, worldwide, must be sweating it out because, if, as unconfirmed reports suggest, News Corporation plus SingTel will put in a bid which is \$HK4.30 billion higher than Pacific Century CyberWorks's February offer for 54.50 percent of the Issued and Fully Paid-Up Share Capital of Cable and Wireless HKT, the London-based Cable and Wireless plc '*parent*' would be hard-pressed not to look, carefully, at such a bid in the interests of its shareholders.

The fiduciary interests of shareholders must be of paramount concern to the Board of Directors of Cable and Wireless plc.

And Mr Richard Li plus dad must know this.

Trading in the shares of Pacific Century CyberWorks was violent, last Thursday, with the share price, fluctuating between a high of \$HK13.55 and \$HK12.50, settling at near the high for the day at \$HK13.45.

Pacific Century CyberWorks is under the gun, also, because some of its speculative investments have gone badly wrong, with the Company, known to have taken a terrible '*hit*' with regard to its investment in Hikari Tsushin of Japan, the share price of which has fallen by more than 90 percent in the past few months ... and continues to fall.

On The GEM, Mr Li Ka Shing's tom.com Ltd continued to see its share price fall as it hit a low of \$HK5.60 on a turnover in that counter of about \$HK71.31 million, representing about 41.70 percent of the Total Turnover on that market, of about \$HK171 million.

Nearly all of the counters, listed on The GEM, are looking at share prices, which are 50 percent lower, or even lower than that.

Gainers outpaced losers by the ratio of 1.86:One.

On The Tokyo Stock Exchange, it was pretty much a repeat performance of Wednesday's very quiet market, with the Nikkei-225, falling 115.14 percent.

This is back to the November 1999 level.

Some of the pack leaders, Sony Corporation, Fujitsu Corporation, etc, were due to announce their respective financial results for the Year, ended March 31, 2000, last Friday, so that there was some reluctance on the part of Japanese investors to make fresh commitments, in advance of these results.

Sony, especially, was widely expected to announce a reduction in earnings for the last Year of between 32 percent and 35 percent, compared with the 1999 Results, according to some Japanese stockbrokerage houses.

This had to be the case since the Chairman of the giant electronics company had said, some months ago, that should the price of Sony's shares on The Tokyo Stock Exchange be more than 20,000 yen, then they were overpriced.

Losers were ahead of gainers by the ratio of about 3.11:One.

This is the way that Asia went to bed last Thursday:

Thailand	Minus 0.30 percent
Indonesia	Minus 0.47 percent
Malaysia	Plus 0.58 percent
The Philippines	Minus 1.18 percent
South Korea	Minus 2.97 percent
Singapore	Plus 2.04 percent
Taiwan	Plus 0.07 percent
Japan	Minus 0.63 percent

## **Friday**

The Dow Jones Industrial Average reversed its previous course on The New York Stock Exchange, last Thursday (New York time), falling about one half of one percent to 10,888.10, the NASDAQ Composite Index put on about 4 percent to 3,774.04, the talk in financial markets, around the world, was centred on the US Federal Reserve Board, pumping up interest rates in the coming fortnight -- and yet the Hang Seng Index, the benchmark of The Stock Exchange of Hongkong Ltd, rose 326.43 points to hit 15,519.30, a gain of about 2.15 percent.

*'You tell me; and, then we can both know the reason (for the Hang Seng Index's rise),'* was the remark of one stockbroker.

The Total Turnover on the Main Board of The Stock Exchange of Hongkong Ltd was still, very low, relatively speaking, at \$HK8.84 billion, with one counter, Pacific Century CyberWorks Ltd, accounting for about 14.37 percent of that figure.

Pacific Century CyberWorks managed to regain some of its earlier lost ground, which had fallen to speculators who thought that Mr Richard Li's little, one-year-old Internet investment company would fail in its bid to buy 54.50 percent of Cable and Wireless HKT Ltd.

The share price put on nearly 8 percent to hit \$HK14.50 per share (please see Thursday's report) -- which must have please dad, no end.

With a 3-day holiday, looming, Monday was Labour Day, investors went after blue chips, generally, forsaking so-called hi-tech and Internet-related issues in spite of pockets of activity in counters, such as Pacific Century CyberWorks.

Cable and Wireless HKT, on the other hand, went against the trend, shedding *'fat'*, with the share price, fluctuating between a high of \$HK19 and a low \$HK18.10, an intra-day swing of some 4.74 percent.

The ratio of gainers to losers was about 1.89:One.

China Telecom (Hongkong) Ltd went in the opposite direction to Cable and Wireless HKT, gaining 7.14 percent to end the session at \$HK56.25 per share, near the day's high of \$HK56.50.

The Top Ten Most Active issues accounted for about 51.81 percent of the Total Turnover.

It was only too apparent that last Friday's stock market was just a flash in the pan: It could hardly be more than that.

Time would tell, however.

News-wise, it was announced that HSBC Holdings plc had clinched its deal to buy 75 percent of the Issued and Fully Paid-Up Share Capital of Bangkok Metropolitan Bank in Thailand for about \$HK7.78 billion.

The Thai Government had, officially, sanctioned the buyout of the 177-branch bank after about one year of negotiations and fears of its imminent collapse.

In a completely different kind of deal, it was announced that Hutchison Whampoa Ltd had lashed out a king's ransom to acquire the rights to become England's largest, third generation (3-G) mobile telephone operator.

Paying about \$HK54 billion for the British licence, the HKSAR blue chip company forecast that the new, 3-G mobile telephone system would be profitable in the year 2005.

Don't hold your breath, waiting for a dividend from this investment.

On The GEM -- The Growth Enterprise Market of The Stock Exchange of Hongkong Ltd -- The Growth Enterprise Index gained the best part of 2 percent, over Thursday's close, to hit 611.95 points, an improvement of about 11.74 points on the day.

The Total Turnover was about \$HK183.93 million, with gainers dominating losers by the ratio of 7.50:One.

tom.com Ltd continued to lose ground, falling from an intra-day high of \$HK6.45 per share to \$HK6.10 per share, a swing of 5.43 percent, during the trading day.

The Ten Most Active issues accounted for about 96.39 percent of the total volume of activity on this market, with tom.com, representing about 37 percent of the Total Turnover.

It was another quiet day on Japan's premier stock market, with the Nikkei-225 Index, the barometer of The Tokyo Stock Exchange, falling 45.47 yen to 17,973.70 yen.

This is the lowest level for the Nikkei-225 since last November.

Losers were ahead of gainers by the ratio of 1.75:One.

Hurting this market was a report from Sony Corporation as to its Net Profits for the past Financial Year, ended March 31, 2000: Its Net had fallen 32 percent, compared with the like 1998 Year.



Sony is the world's Number One consumer-electronics conglomerate, and the market price of its shares has more than doubled in the past year in spite of the Chairman of the company, warning that any share price, higher than 20,000 yen, was unrealistic.

Somebody should have listened to this erudite gentleman.

Sony said that it had been hit by the strength of the Japanese yen vis-à-vis its major customers' currencies during the Year in review: Operating Profits would have been up about 39 percent had it not been for this one factor.

Sony's share price ended the day, down about one half of one percent to 12,410 yen.

In other news, there was a great deal of talk in the market about bad debts and potential bad debts.

Sogo Company, the bust departmental store, had asked its creditor banks to forgive about \$HK47 billion in loans: This is a record amount ever requested to be forgotten from creditor banks.

As a result, The Industrial Bank of Japan lost 5.30 percent of its market capitalisation, Dai-Ichi Kangyo Bank saw 4.10 percent wiped off its books, Sakura Bank witnessed an erosion of 3.5 percent in its market capitalisation, and Fuji Bank was not to be outdone as it lost about 4.40 percent of its value.

The situation between the Governments of the PRC and Taiwan had settled down, considerably, with suggestions that a political breakthrough was on the cards, allowing the 2 governments to sit down in order to talk about bringing Taiwan into the PRC Government's fold.

Sabre-rattling had ceased, it appeared.

This is the way that things came to a halt for the week, ended April 28, the last day of the month, as far as share trading in Asia was concerned:

Thailand	Minus 0.75 percent
Indonesia	Plus 0.98 percent
Malaysia	Minus 0.65 percent
The Philippines	Minus 1.35 percent
South Korea	Plus 4.81 percent
Singapore	Plus 0.58 percent
Taiwan	Plus 3.31 percent
Japan	Minus 0.25 percent

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